

**South Carolina
Research University Infrastructure Act**

**PROGRAM GUIDELINES
FOR SMARTSTATE REVIEW BOARD**

**Effective Date:
January 9, 2012**

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I. Introduction and Purpose

During the 2004 legislative session, the South Carolina General Assembly passed the South Carolina Research University Infrastructure Act. The statute provides for the issuance of \$250 million in general obligation debt (bonds), \$220 million (88%; see S.C. 11-51-125(B)(1)(a)) of which was allotted to the three South Carolina senior research institutions for the financing of research infrastructure projects.¹ As required by Section 70 of the Act, each research institution is required to obtain matching funds “provided by private, federal, municipal, county or other local government sources”² that total at least 50% of the cost of each project. The SmartState Review Board is charged with certifying the non-state match, plus additional project information, for each Research University Infrastructure Act (RUIA) project proposal. The SmartState Review Board provides this certification to the Joint Bond Review Committee (JBRC) and the Budget & Control Board (B&CB). [See Section III below.]

II. Eligible Institutions

Senior research institutions eligible to submit proposals for RUIA funds include Clemson University, the Medical University of South Carolina, and the University of South Carolina-Columbia.

III. Summary of the Permanent Improvement Project (PIP) Process

Normally, when one of the three senior research institutions wishes to construct an infrastructure project or permanent improvement project (PIP) which exceeds \$500,000, the institution follows a three-tier approval process consisting of the Commission on Higher Education (CHE), JBRC, and B&CB. The research institution first demonstrates the need for the proposed PIP to CHE’s Finance & Facilities Committee and the CHE full Commission. Once approved, the proposed PIP is forwarded to JBRC and B&CB respectively, for further approval. If all three State bodies approve the proposed PIP, the project is formally established, or “opened.” Once opened, any change to the PIP—such as a revision of project scope or budget—must be approved by the three-tiers of CHE,³ JBRC, and B&CB. When construction is finished and all permits have been obtained, the PIP is formally closed. If the institution wishes to make any renovations or major changes to the facility in the future, a new PIP must be formally requested and approved.

¹ All references to funds in this document refer to the 88% of the \$250 million (\$220 million) specifically allotted for infrastructure projects which fall under the jurisdiction of the SmartState Review Board. Concerning the remaining \$30 in RUIA funds, Section 11-51-125(A)(2) mandates:

“The Research Centers of Excellence Review Board has no jurisdiction over these projects and no matching requirement is imposed for these projects.”

² Heretofore in these *Guidelines* referred to as “non-state match.”

³ Current policies and procedures allow CHE staff to approve budget increases of \$500,000 or less or 10% or less of the approved budget.

A document called an A-1 contains important PIP information such as project description and justification, budget totals, sources of funding, etc. This A-1 document is used by all three State approval bodies to track the project from open to close. [See Appendix A for an example of a closed A-1.]

RUIA projects follow a similar three-tier approval process as that used for non-RUIA projects with the exception that the SmartState Review Board acts as a certifying body in the first step of the process. The SmartState Review Board does not formally approve the proposed RUIA project, but instead certifies the non-state match and other project information to JBRC and B&CB. [See Section IV below.]

For RUIA projects, an A-1 is generated by the research institution and submitted to SmartState staff. A copy of the A-1 is given to CHE staff. CHE staff uses the A-1 to track a particular infrastructure project for archival and future PIP purposes. CHE staff also forwards the A-1 to B&CB staff for appropriate action by JBRC and B&CB. The A-1 is monitored by JBRC and B&CB, which maintain statutory authority over each RUIA project. JBRC and B&CB use the A-1 for formal opening and closure of an RUIA project as well as for tracking approved changes. [See Section VI below regarding the process for “recertifying” an RUIA project.]

IV. Summary of SmartState Review Board Statutory Responsibilities for RUIA Projects

Under the Research University Infrastructure Act, the SmartState Review Board is charged with providing (“certifying”) the following information to the Joint Bond Review Committee and the Budget & Control Board for every proposed RUIA project:⁴

- (a) confirmation that at least 50% of the cost of the RUIA project is matched by non-state sources (11-51-70; 11-51-80(2));⁵
- (b) a description of the RUIA project (11-51-80(1));
- (c) confirmation that the RUIA project complies with the Act in full (11-51-80(2));
- (d) the total cost of the RUIA project and the principal amount of bonds to be issued for the project (11-51-80(3));
- (e) a tentative schedule which states the period of time “during which the proceeds of the general obligation debt requested to be issued will be expended” for the RUIA project (11-51-80(4));
- (f) “a debt service schedule showing the annual principal and interest requirements, at a projected current rate of interest, on the requested general obligation debt” for the RUIA project (11-51-80(5));
- (g) the total amount of bonds issued for RUIA projects to date (11-51-80(6)); and
- (h) “a debt service schedule showing the principal and interest requirements for the general obligation debt outstanding and the proposed general obligation debt at a projected current rate of interest” for the RUIA project (11-51-80(5)).

⁴ No bonds may be issued for an RUIA project without SmartState Review Board certification (11-51-80).

⁵ Details of eligible sources for non-state matching funds follows in Section VIII.

V. RUIA Project Proposal Certification Process

An eligible research institution may present an RUIA project proposal to the SmartState Review Board at any of the Review Board's quarterly meetings. Each presentation must contain the information needed to certify each project. (The only exceptions are the debt service and debt issuance schedules which are coordinated between the institution and the Treasurer's Office. This information must be verified and submitted to the Review Board prior to the signing of the certification, but may be submitted following the formal presentation.) After reviewing the presentation, the Review Board must (a) vote on whether or not to certify the proposed RUIA project; or (b) table a vote to certify a proposed RUIA project pending the submission of a revised proposal or additional requested information. The research institution may withdraw a proposal at any time prior to the issuance of general obligation debt.

Prior to and following the presentation of an RUIA project proposal, CHE staff verifies that all the non-state matching requirements for the proposed RUIA project are valid and follow standard accounting principles. [See Cost Share Accounting Policy in Section IX below.] CHE staff also verifies project information such as appraisals and leases. CHE staff may request that the Review Board reconsider a vote in favor of certification for an RUIA project if information is discovered which challenges the validity of a pending or approved certification.

Original copies of each RUIA project certification, signed and dated by the Chair of the SmartState Review Board, must be presented in a timely manner to the chief administrators of the Joint Bond Review Committee and the Budget & Control Board, as well as appropriate Budget & Control Board staff members.

VI. Recertification Process for Changes to RUIA Projects

Following the certification of an RUIA project, any project change (redefinition or change of scope; increase or decrease of total cost; change of source of non-state match; change of non-state match total; delay in construction schedule; or any change which otherwise requires formal approval by JBRC and B&CB or its staff) requires recertification by the SmartState Review Board. In order to accommodate construction costs and schedules, RUIA project changes totaling less than \$500,000 or 10% of the total project cost may be recertified by CHE staff who directly serve the SmartState Review Board, in consultation with the SmartState Review Board Executive Committee. A list of all CHE staff-approved recertifications must be presented at each quarterly SmartState Review Board meeting. Proposed redefinitions or scope changes of an RUIA project may only be recertified by the SmartState Review Board. If the total cost of an RUIA project increases, recertification must demonstrate that at least 50% of the total project cost is matched by non-state sources.

Original copies of all recertifications must be signed and dated by the Chair of the SmartState Review Board and presented in a timely manner to the chief administrators of the Joint Bond Review Committee and the Budget & Control Board.

VII. RUIA Project Closure and Final Report

Similar to the closure process for a permanent improvement project, when construction of an RUIA project is finished and all permits have been obtained, the research institution submits a closed A-1 to CHE staff, who subsequently submits the A-1 through CHE staff to B&CB staff. This signifies the closure of an RUIA project. Once a closed A-1 for an RUIA facility has been properly submitted, any future renovation or major change to the facility that is not supported by RUIA funds falls outside the statutory authority of the SmartState Review Board.

Following the closure of an RUIA project, the research institution must submit a final report to the SmartState Review Board. This report is not to exceed ten pages (12 pt., double-spaced) and shall include, in addition to whatever items are deemed appropriate by the reporting institution, the following:

- (a) documentation that all proposed objectives have been met;
- (b) documentation that the RUIA project has complied with the Act in full (see in particular Sections 70 and 80 of the Act);
- (c) documentation that verifies the total project cost did not exceed figures listed in the SmartState Review Board's certification or subsequent recertification; and
- (d) documentation that verifies all non-state matching requirements were fulfilled.

This RUIA project final report shall be submitted to the SmartState Review Board within 90 days of an institution's submission of a closed A-1. Failure to submit the final report to the SmartState Review Board within the 90-day deadline will result in the Review Board's refusal to grant further certification or recertification for other RUIA projects for the institution until the final report has been submitted.

Following the SmartState Review Board's formal examination of the final report, the report will be forwarded to the administrative heads of the JBRC and B&CB, including appropriate B&CB staff, as well as the Office of the State Treasurer. If, upon examination of the closure report the Review Board identifies that the RUIA project has been used for unapproved purposes,⁶ the Review Board shall include a notification of such violations to JBRC, B&CB, and the Office of the State Treasurer. If, upon examination of the closure report the Review Board discovers any matching fund violations, surfeit of general obligation debt, uncertified project costs, or statutory violations, the Review Board shall include a notification of such information to JBRC, B&CB, and the Office of the State Treasurer.

⁶ **SECTION 11-51-60.** Research infrastructure project used for unapproved purpose; reimbursement of debt service to State.

In the event a research infrastructure project is used for a purpose other than as approved by the Research Centers of Excellence Review Board pursuant to Section 11-51-80(2), the research university for which the research infrastructure project was originally established shall reimburse the State a percentage of debt service on the general obligation debt issued to finance the debt, the percentage to be equal to the percentage of the research infrastructure project which is used for an unapproved purpose. Amounts reimbursed to the State pursuant to this section must be applied, as directed by the state board, to the debt service on the applicable general obligation debt, either currently or by way of defeasance, or to the general fund of the State.

VIII. Eligible Non-State Matching Funds

Section 70 of the Research University Infrastructure Act mandates that at least 50% of the cost of each RUIA project must be matched by non-state funds. Section 70 also states that these non-state matches may be in the form of (a) cash; (b) cash equivalent; (c) buildings including sale-lease back; (d) gifts in kind including, but not limited to, land, roads, water and sewer, and maintenance of infrastructure; (e) facilities and administration costs; (f) equipment; and (g) furnishings. If a good/service has been donated to an institution, the institution may claim the fair market value of the good/service as a ‘cash equivalent’ match. If a good/service has been sold/provided to the institution at a reduced rate, the institution may claim the reduced rate of the good/service as a ‘cash equivalent’ match.

Only funds and in-kind contributions that have been committed to a research institution and derived from contributions or revenues from non-S.C. tax dollars committed and raised after March 17, 2004 (enactment date), may be used as matching funds. For federal grants, this deadline refers to grant award dates for all grants awarded after March 17, 2004. For federal grants awarded prior to March 17, 2004, this deadline refers to the date of acquisition of an item for which a research institution becomes eligible to receive reimbursement via federal grant dollars.

IX. RUIA Cost Share Accounting Policy

On February 26, 2007, the SmartState Review Board approved a Cost Share Accounting Policy which applies to all RUIA projects. This policy contains specific guidelines for claiming and valuing in-kind matches, as well as other relevant cost share accounting principles:

South Carolina Research University Infrastructure Act Cost Share Accounting Policy

(1)(a) Each institution must, in each proposal for Infrastructure Act funds, provide the *estimated total cost* of an individual Research University Infrastructure Act project. Estimated total cost must include all costs necessary and reasonable to make the project whole or complete; i.e., all costs that are necessary and reasonable for proper and efficient accomplishment of the project’s objective(s).

(b) Concomitant with the definition of ‘estimated total cost,’ each institution must provide a specific *project definition* which clearly delineates the components of the estimated total costs of the project, and which provides a clear rationale for the project.

(2) Land, facilities, improvements, services, and other types of in-kind matches as listed in Section 70 of the Research University Infrastructure Act can be certified only to the extent that they demonstrably promote quantifiable future economic development directly related to the project definition. That is, institutions must demonstrate how each matched item *directly* relates to the project as specifically defined.

(3) Overmatching is permissible. Section 70 of the Research Infrastructure Act requires that “**at least** fifty percent of the cost of each research infrastructure project” be matched by non-state sources, thus allowing for more than half of the total cost to be matched.

(4) The cost share accounting standards articulated in OMB Circular A-110, Section 23 shall be the guiding principles used for determining the value and veracity of in-kind matches, especially as they pertain to determining the value of title-transferred/rent-discounted land and facilities.

(5) In order for an in-kind match to qualify as a certifiable match, it must (a) derive from a non-state source; (b) be documented by an agreement between the institution and a third party; and (c) be in-hand or perfected.

(6) The fair market value of any individual building or parcel of land may only be claimed as a match if title itself transfers to the institution. Otherwise, only the cost of the discounted rent/lease value, computed over a specifically-defined occupation of time, may be claimed.

(7) Concerning purchases of capital items (equipment or computer software), the difference between the Manufacturer's Suggested Retail Price and the final cost to the institution may be claimed as a valid match, provided the institution validates the claim with appropriate documentation.

(8) All non-state matching funds (including federal funds) and in-kind contributions may not be committed as matching funds in another private, municipal, state, or federal project or program.⁷

(9) Institutionally affiliated 501(c)(3) organizations and component units may contribute matching donations, provided such funds do not derive from state appropriations, tuition, institutional revenue or fees. Matching donations from such entities must be accompanied by a letter from the entity's chief financial officer, as well as the chief financial officer of the research institution, verifying that the funds have not derived from these sources.⁸

(9) These policies and procedures are applicable to all approved in-kind matches for SmartState Program proposals.

X. Contact Information

For questions concerning S.C. Research University Infrastructure Act projects, please contact:

Dr. T. Michael Raley, Director of Academic Affairs & Licensing, SC Commission on Higher Education, at mraley@che.sc.gov , or 803.727.6513

Mr. Arik Bjorn, Program Manager, SC Commission on Higher Education, at abjorn@che.sc.gov, or 803.737.2293

⁷ Added at the August 20, 2007, SmartState Review Board meeting.

⁸ Ibid.

Appendix I: A-1 Exemplar

[included on following three pages]

FOR BOARD USE ONLY
CHE
JBRC
BC Board
JBRC Staff
BC Staff
A-1 Forms Mailed
SPIRS Date
Summary

FORM A-1 PAGE 1 OF 2
(For Board Use Only)
SUMMARY NUMBER
FORM NUMBER

BUDGET AND CONTROL BOARD - PERMANENT IMPROVEMENT PROJECT REQUEST

1. AGENCY

Code H12 Name Clemson University
 Contact Person John McEntire Phone 864-656-1238

2. PROJECT

Project # 9861 Name Lightsey Bridge Fire Sprinkler Retrofit - Renovation
 Facility # 2551-2560 Facility Name Lightsey Bridge Apartments

County Code	1039
New Revised Budget	\$1,758,300.00

Project Type	Renovation
Facility Type	Aux.

3. APIP PROJECT APPROVAL FOR CURRENT FISCAL YEAR

APIP Priority Number _____ of _____ for FY _____

4. PROJECT ACTION PROPOSED (Indicate action(s) from listed included with instructions.)

Establish Project		Decrease Budget		Close Project	
Establish Project		Change Source of Funds		Change Project Name	
Increase Budget	x	Revise Scope	x	Cancel Project	

5. PROJECT DESCRIPTION AND JUSTIFICATION Life/Safety Project EMERGENCY PROCUREMENT

DESCRIPTION:

In keeping with the University Plan to have fire suppression systems in all housing facilities, this project will address the intallation of sprinklers in the Lightsey Bridge buildings built in 1991. This is the slightly older section of the overall Lightsey Bridge development area. Each of the 10 apartment buildings will be upgraded to include appropriate fire suppression systems and associated materials and equipment, as well as any corrective action for unknown conditions that may be encountered as part of the installation.

JUSTIFICATION:

The additional funds are necessary due primarily to the increases in the cost of materials and shortage of labor. Even though Clemson University received two independent cost estimates, bids still came in higher than anticipated. Therefore, it is necessary to add additional funds to this project to award this life safety related contract. An additional \$400,000 is required to award the low bid and maintain a contingency.

Emergency Procurement-Life Safety Project

6. OPERATING COST IMPLICATIONS

Attach Form A-49 if any additional operating costs or savings will result from this request. This includes costs to be absorbed with current fundings. A-49 attached

7. ESTIMATED PROJECT SCHEDULE AND EXPENDITURES

Estimated Start Date: December, 2005 Estimated Completion Date: 1-Aug-06
 Estimated Expenditures: Thru Current FY: \$100,000.00 After current FY: \$ 1,658,300.00

8. ESTIMATES OF NEW/REVISED PROJECT COSTS

PROJECT NUMBER 9861

1. _____ Land Purchase _____
2. _____ Building Purchase _____
3. 101,300.00 Professional Services Fees Univ Forces
4. 500.00 Equipment and/or Materials _____
5. _____ Site Development
6. _____ New Construction _____
7. 1,500,000.00 Renovations - Building Interior _____
8. _____ Renovations - Utilities
9. _____ Roofing
10. _____ Renovations - Building Exterior Univ Forces
11. _____ Other Permanent Improvements
12. 20000 Landscaping
13. 2,000.00 Builders Risk Insurance
14. _____ Other Capital Outlay
15. 15,000.00 Labor Costs
16. _____ Bond Issue Costs
17. _____ Other:
18. 119,500.00 Contingency

\$ 1,758,300.00 TOTAL PROJECT BUDGET

Land: _____ Acres
Floor Space: _____ Gross Square

Information Technok: \$ _____

Floor Space _____
Floor Space 129,685 gross square feet

ENVIRONMENTAL HAZARDS

Identify all types of significant environmental hazard (including asbestos, PCB's, etc.) present in the proje and the financial impact they will have on the project.

Type: _____

Cost Breakdown

Design Services _____

Monitoring _____

Abate/Remed _____

Total Costs _____

9. PROPOSED SOURCE OF FUNDING

Source	Previously Approved Amount	Proposed Increase/Decrease	Original/Revised Budget	Transfer to/from Proj. #	Rev. Object Code	Treasurer's ID Number	Rev Sub Fund	Exp Sub Fund
(0) Capital Improvement								
(1) Dept. Capital Improvement Bonds Group								
(2) Institution Bonds								
(3) Revenue Bonds	\$ 1,358,300.00	\$ (200,000.00)	\$ 1,158,300.00		8221	38800100	4xxx	3393
(4) Excess Debt Service Type								
(5) Capital Reserve Fund								
(6) Appropriated State								
(7) Federal								
(8) Athletic								
(9) Other (Specify) Housing Improv. Fund	\$ -	\$ 600,000.00	\$ 600,000.00		7841	98800100	4759	3907
TOTAL BUDGET	\$ 1,358,300.00	\$ 400,000.00	\$ 1,758,300.00					

10. SUBMITTED BY:

Steve Copeland, Interim Chief Business Officer

5-2-06

Date

11. APPROVED BY:

(For Board Use Only)

Authorized Signature and Title

Date

**ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS
RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

1. AGENCY
Code H12 Name Clemson University

2. PROJECT
Project # 9861 Name Lightsey Bridge Fire Sprinkler Retrofit - Renovation
3. ADDITIONAL ANNUAL OPERATING COSTS/SAVINGS. (Check whether reporting costs or savings.)

☐ COSTS

☐ SAVINGS

☒ NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other Housing Auxiliary	Total
1) 2007-08	\$0.00	\$	\$0.00	\$0.00
2) 2008-09	\$0.00	\$	\$0.00	\$0.00
3) 2009-10	\$0.00	\$	\$0.00	\$0.00

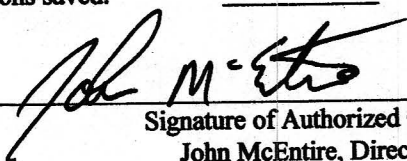
5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).

6. Will the additional costs be absorbed into your existing budget? ☐ YES ☐ NO
If no, how will additional funds be provided?

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

<u>COST FACTORS</u>	<u>AMOUNT</u>
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
TOTAL	

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved.

9. Submitted By:  Signature of Authorized Official and Title
John McEntire, Director Capital Projects
Date 4/26/06